

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549



02003189

OMB APPROVAL  
OMB Number: 3235-0123  
Expires: October 31, 2001  
Estimated average burden  
hours per response ... 12.00

SEC FILE NUMBER  
8-51958

REC'D S.E.C.  
MAR 1 - 2002  
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ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 01/01/2001 AND ENDING 12/31/2001  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

KBC Securities Inc.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

125 West 55<sup>th</sup> Street, 11<sup>th</sup> Floor

FIRM ID. NO.

New York

(No. and Street)

New York

10019

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Lou Milano

212-541-0673

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Ernst & Young LLP

787 Seventh Avenue

(Name - of individual, state last, first, middle name)

New York

NY

10019

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 28 2002

THOMSON  
FINANCIAL

FOR OFFICIAL USE ONLY

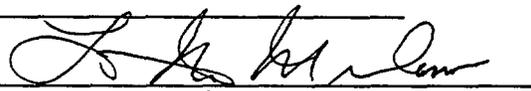
\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

BIB  
3/26

**OATH OR AFFIRMATION**

I, Lou Milano, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statements and supporting schedules pertaining to the firm of KBC Securities Inc., as of December 31, 2001, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

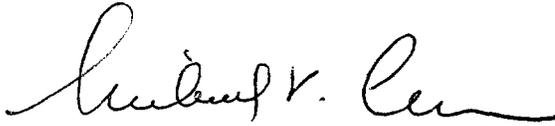
\_\_\_\_\_  
\_\_\_\_\_  
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Signature

Chief Operating Officer

Title



Notary Public **MICHAEL V. CURRAN**  
Notary Public, State of New York  
No. 31-5003522  
Qualified in New York County  
Commission Expires

This report\*\* contains (check all applicable boxes): 10/26/02

- T (a) Facing page.
- T (b) Statement of Financial Condition.
- T (c) Statement of Operations.
- T (d) Statement of Cash Flows.
- T (e) Statement of Changes in Stockholders' Equity .
- (f) Statement of Changes in Liabilities Subordinated to Claims or Creditors.
- T (g) Computation of Net Capital.
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A or Rule 15c3-3.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- T (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- (o) Schedule of Segregation Requirements and Funds in Segregation for Customers Trading on U.S. Commodity Exchanges.
- (p) Statement of Secured Amount and Funds Held in Separate Accounts for Foreign Futures and Options Customers Pursuant to Commission Regulation 30.7.
- T (k) Supplemental Report of Independent Auditors on Internal Control Required by SEC Rule 17a-5

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

STATEMENT OF FINANCIAL CONDITION

KBC Securities Inc.

(A wholly-owned subsidiary of KBC Securities N.V. Brussels)

December 31, 2001

with Report Independent Auditors

KBC Securities Inc.  
(A wholly-owned subsidiary of  
KBC Securities N.V. Brussels)

Statement of Financial Condition

December 31, 2001

**Contents**

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## Report of Independent Auditors

The Board of Directors  
KBC Securities Inc.

We have audited the accompanying statement of financial condition of KBC Securities Inc. (the "Company") (a wholly-owned subsidiary of KBC Securities N.V. Brussels) as of December 31, 2001. This statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on the statement of financial condition based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the statement of financial condition. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statement of financial condition referred to above present fairly, in all material respects, the financial position of KBC Securities Inc. at December 31, 2001, in conformity with accounting principles generally accepted in the United States.

*Ernst & Young LLP*  
*Ernst + Young LLP*

February 22, 2002

**KBC Securities Inc.**  
(A wholly-owned subsidiary of  
KBC Securities N.V. Brussels)

**Statement of Financial Condition**

December 31, 2001

<b>Assets</b>	
Cash	\$ 1,929,643
Commissions receivable from Parent	108,594
Securities owned—at market value	14,980
Furniture, equipment and leasehold improvements—at cost (net of accumulated depreciation and amortization of \$254,908)	470,775
Other assets	30,250
Total assets	<u>\$ 2,554,242</u>
 <b>Liabilities and stockholder's equity</b>	
Liabilities:	
Accounts payable and accrued expenses	<u>\$ 1,335,386</u>
Total liabilities	1,335,386
 Stockholder's equity	 <u>1,218,856</u>
Total liabilities and stockholder's equity	<u>\$ 2,554,242</u>

*See accompanying notes to statement of financial condition.*

**KBC Securities Inc.**  
(A wholly-owned subsidiary of  
KBC Securities N.V. Brussels)

**Notes to Statement of Financial Condition**

December 31, 2001

**1. Organization and Nature of Operations**

KBC Securities Inc. (the "Company") is a wholly-owned subsidiary of KBC Securities N.V. Brussels ("the Parent"). The Company is registered as a broker-dealer under the Securities Exchange Act of 1934 and is a member of the National Association of Securities Dealers, Inc. The Company, incorporated on May 18, 1999 under the laws of the State of Delaware, conducts business from its office in New York City. The Company obtained approval of its membership application and began operations in February 2000.

The Company is engaged in brokerage related activities, and acting as agent for U.S. institutional customers in the purchase and sale of foreign equity securities. All equity securities transactions are cleared through the Parent, a clearing broker, on a fully disclosed basis and, accordingly, the Company does not carry securities accounts for these customers or perform custodial functions relating to their securities. The Parent has the right to charge the Company for unsecured losses that result from a customer's failure to complete such transactions. These trades are settled on a delivery versus payment basis.

**2. Summary of Significant Accounting Policies**

*Cash and Cash Equivalents*

The Company considers all cash and highly-liquid debt instruments with original maturities of three months or less to be cash equivalents.

*Income Taxes*

The Company complies with SFAS No. 109 "Accounting for Income Taxes," which requires an asset and liability approach to financial reporting for income taxes. Deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future, based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established to reduce the deferred tax assets when, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

KBC Securities Inc.  
(A wholly-owned subsidiary of  
KBC Securities N.V. Brussels)

Notes to Statement of Financial Condition (continued)

**2. Summary of Significant Accounting Policies (continued)**

*Foreign Currency Transactions*

Foreign currency transactions (principally commissions earned) are translated at the rates in effect during the period. Assets and liabilities denominated in foreign currency are translated into U.S. dollars at the rate of exchange prevailing at the close of business at the statement of financial condition date.

*Depreciation*

Depreciation is provided for furniture and equipment on a straight-line basis over the estimated useful lives of the assets.

*Use of Estimates*

The preparation of the statement of financial condition in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of financial condition. Actual results could differ from those estimates.

**3. Related Party Transactions**

Commissions on equity securities transactions are collected directly from the Parent and amounted to \$108,594 as of December 31, 2001. Service fee and lease arrangements exist for IT, accounting, rental of an affiliate's premises and other services performed by the affiliate.

**4. Income Taxes**

At December 31, 2001, the Company's gross deferred tax asset of \$1.3 million was fully reserved since it is uncertain whether results of future operations will generate sufficient taxable income to realize the deferred tax asset. The gross deferred tax asset is due primarily a net operating loss carryforward of approximately \$3.8 million.

**KBC Securities Inc.**  
(A wholly-owned subsidiary of  
KBC Securities N.V. Brussels)

Notes to Statement of Financial Condition (continued)

**5. Net Capital Requirements**

The Company is a member of the NASD and is subject to the SEC Uniform Net Capital Rule 15c3-1 which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2001, the Company had net capital of \$606,990, which was \$356,990 in excess of required minimum net capital of \$250,000. The Company's net capital ratio was 2.20 to 1.

**6. Commitments**

The Company entered into a sublease agreement with an affiliate for office space on May 25, 1999, which also contains certain escalation clauses. The sublease expires on April 17, 2006. At December 31, 2001, the approximate future minimum base rental payments under this operating lease are as follows:

Year ending December 31:	
2002	\$ 61,595
2003	62,230
2004	62,230
2005	62,230
2006	<u>18,150</u>
Total minimum payments	<u>\$ 266,435</u>